

What Do Affluent Customers Want From Their Loyalty Programs?

by Linda Dickerhoof, VIPdesk

OVER 50% OF ALL HOUSEHOLD spending in the United States—\$4.2 trillion annually—is attributed to affluent consumers. In addition, according to the U.S. Census Bureau, affluent consumers spend 2.5 times more than the average consumer—annually, the average U.S. consumer spends approximately \$50,000, while the top affluent consumer spends over \$124,000. As such, the affluent demographic has become one of the most sought-after by loyalty marketers due to the increased spending ability they possess.

In order to discover what affluent customers want from their loyalty programs, it is necessary to look at their overall motivators. Charles Christianson, VP of Sales and Marketing with Affinion Loyalty Group and Mark Robeson, VP of Marketing and Strategic Accounts with VIPdesk, recently presented a webinar for Loyalty 360 members, “What Do Affluent Consumers Want From Their Loyalty Programs?” In this webinar, they outlined a “motivation formula” highlighting the drivers of brand loyalty for this market:

In order to understand the affluent market, you must understand who they are as consumers, what they value, how they behave, and empower them. Empowerment is what affluent consumers want from a loyalty program. In return, they will seek you out, trust you, be loyal to your brand, and rave about you to others.

Who Are Affluent Consumers?

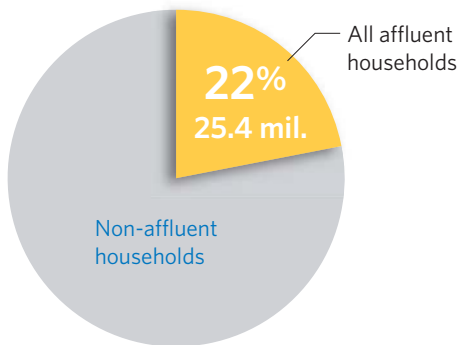
Affluent consumers, defined by the U.S. Bureau of Labor Statistics, are households that earn \$100,000 or more. Approximately 22% of U.S. households (25.4 million households) are classified as affluent. The affluent demographic can further be broken down into five segments:

1. Aspirational mass market: trendy metropolitans, tend to have average jobs and backgrounds but aspire to an above-average lifestyle.
2. Rising middle class: middle-class background with well-paying jobs.
3. New money: high net-worth consumers who earned the wealth themselves.
4. Old money: high net-worth consumers who have inherited their wealth.
5. Beyond money: similar to old money, but these consumers have a complete indifference to status, avoiding ostentatious displays of wealth.

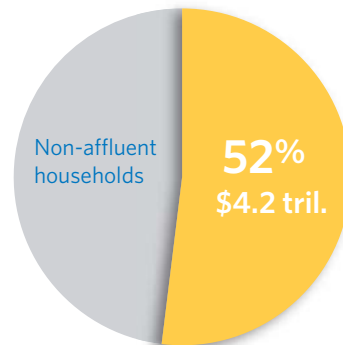
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Affluence in the U.S.

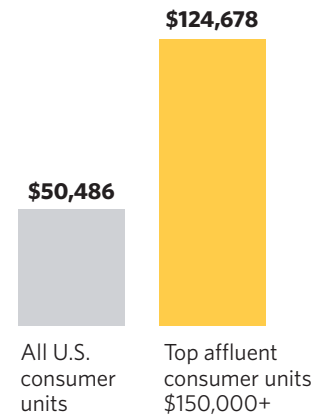
Portion of U.S. households classified as affluent*



Portion of U.S. household spending generated by all affluent households



Average annual spending per consumer unit



*Households earning \$100,000 or more in 2008

Note: Consumer units include families, single persons living alone or sharing a household with others but who are financially independent, or two or more persons living together who share expenses.

Sources: Packaged Facts, U.S. Bureau of Labor Statistics, U.S. Census Bureau

GRAPHIC BY ALG BRAND COMMUNICATIONS

When looking at the affluent consumer, it is necessary to cast aside stereotypes often seen in the mass media. First and foremost, looks can be deceiving—the outward appearance of affluent consumers rarely reflects their spending ability or net worth. Instead, the average affluent consumer—especially in the higher net-worth subsets of this demographic—is the antithesis of the stereotype that you see in the media. They tend to live below their means, drive domestic cars, wear less expensive clothes, and drive less expensive automobiles than you would imagine.

Values of the Affluent Consumer

Affluent customers value luxury, but it must be luxury that is worth the price. Given that much of the net worth of affluent consumers resides in the stock market—which lost 2.4 trillion dollars in 2007-2008—it is no surprise that this demographic values a good deal.

Affluent consumers are more likely than the average consumer to use coupons. With this demographic, there is no stigma related to coupons or discounts—on the contrary, coupons can be viewed as representative of a new status symbol of fiscal responsibility. Along with coupons, the prevalence of group-buying sites such as Groupon and Living Social has not gone un-noticed by the affluent market—instead they are embracing this trend. One such example is group buying site, Gilt.com. Gilt has been very successful targeting luxury consumers with discounts on premier quality fashion, housewares, and travel items.

Affluent customers also value quality service, as shown through the success of retailers Nordstrom and Zappos, both of whom are known for their customer service. The importance of quality customer service to this demographic is shown in recent research from Harvard Business School to indicate that affluent consumers are likely to be the first to switch allegiances to a competitor providing superior customer service. This research also shows that even though high-end customers can be fickle, a company that sustains a superior service position in its local market can attract and retain customers who are more valuable over time.

Behavior of the Affluent Consumer

Three behaviors of the affluent consumer that should be taken into consideration by loyalty marketers are brand loyalty, online/mobile savvy, and travel focus.

1. Brand loyal. The affluent are far more likely to look for brand names than other demographics—as long as it is a brand that is providing a product or service that is worth the price. Not unsurprisingly, given the importance of service to this demographic, brands that provide a stellar customer service experience are the most likely to gain and maintain brand loyalty from the affluent consumer. This is especially true in the travel and hospitality industries, where brands such as Starwood and Marriott understand the importance of service to keeping long-term brand loyalty, which is shown through their service-centric loyalty programs.

2. Online and mobile savvy. Affluent consumers want to simplify their lives with technology, while still obtaining a high level of service regardless of the channel they use. A recent survey of millionaires from Fidelity Investments shows that 85% use text-messaging, smartphone applications and social media—proof that this demographic is wired across the spectrum of channels offering online and mobile content and customer interaction.

3. Travel Focused. The affluent demographic is travel focused—82% of affluent Americans took a domestic vacation or personal trip in the past year. As such, this market values a loyalty program that can help them make travel easier. Brands such as the American Express Platinum card and the Merrill Lynch Beyond Rewards card are responding by offering travel-focused benefits including priority international lounge access, room upgrades, and dedicated Concierge service.

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Empowering the Affluent Consumer

Affluent consumers seek out loyalty programs that will empower them in a way that is different from the rest of the marketplace, meeting these needs:

- **Help me feel less busy.** Affluent consumers want a loyalty program that will help them feel less busy—this is a demographic that won't use a service if they can just as easily do a better job themselves. Remember their preferences, which will save them time in the future. Offer online and mobile access to program features. Provide program features such as Concierge service specifically designed to make them feel less busy.
- **Give me exclusive access.** This is a demographic that values luxury that is worth its price. A loyalty program that stands out from the crowd, providing access and experiences that they can't get anywhere else is certainly a luxury that is worth the price.
- **Provide holistic services.** The affluent demographic values service, especially holistic service. Make sure to ask them the right questions, and anticipate their needs. Offer flexible redemption options through a "one voice" single point of contact.
- **Make me feel truly special.** The ultimate way to empower the affluent customer through a loyalty program is to make them feel special. A personal touch, exclusive access, and stellar customer service all combine to do just that—provide an interaction that makes your customer feel valued, and thus value your service. 📍



Survey Reveals Exceptional Customer Service Most Important Aspect of Customer Loyalty for Affluent Consumers

Over 50 percent of loyalty marketers identify exceptional customer service as the most important aspect of customer loyalty programs geared towards affluent consumers, according to a survey conducted by Affinion Loyalty Group and VIPdesk during their recent webinar.

Survey results include the following:

- **57% find exceptional customer service to be the most important aspect of customer loyalty programs geared towards affluent consumers**
- **44% identified exclusive rewards or concierge service as the most important aspect of customer loyalty programs geared towards affluent consumers**
- **52% believe that affluent consumers are most influenced in their customer loyalty decisions by recognition/personalization**
- **32% find affluent consumers most influenced by desire for exclusive access**
- **15% feel this demographic is most influenced by desire for status**

Loyalty 360 members can access a recording of the webinar, "What do Affluent Consumers Want from their Loyalty Programs?" at Loyalty360.org.